



# Special Notice

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## Purchases from Out-of-State Vendors

If you purchase merchandise from a vendor located outside the state or out of the country, you may owe California use tax on the purchase. The use tax is intended to protect California merchants who otherwise would be at a competitive disadvantage when out-of-state vendors make sales to California customers without charging tax.

### When do I owe use tax on purchases from out-of-state vendors?

You generally owe California use tax when you use, store, or consume — in California — tangible personal property purchased from an out-of-state vendor. If the vendor does not collect the California tax on the purchase, the purchaser must pay the tax directly to the state. Penalties and interest apply to unpaid use tax.

Some purchases from out-of-state vendors, however, may not be subject to use tax. The most common use tax exemptions and exclusions apply when:

- You buy the item in a transaction that would be exempt or excluded from sales tax if it occurred in California. Examples include purchases of cold food products and purchases for resale.
- You buy prescription medicines prescribed by a licensed physician from a pharmaceutical manufacturer, pharmacist, or health facility.
- You do not use the item in California but instead ship it to a location outside the state for exclusive use there. This is true whether you ship the item by itself or first incorporate it into another product.

### How do I pay the use tax?

If you hold a seller's permit, you must pay the use tax on line two of your sales and use tax return. If you do not hold a seller's permit, the purchase may be reported on your California income tax return or on an Individual Use Tax Return (Form BOE-401-DS). Returns may be printed directly from our web site at: [www.boe.ca.gov/pdf/pub79b.pdf](http://www.boe.ca.gov/pdf/pub79b.pdf).

Also, California purchasers who are not required to hold a seller's permit may qualify for the In-State Voluntary Disclosure Program to report and pay their use tax liability with a three-year statute of limitations (instead of a possible eight-year period). To obtain more information about the program, please call the toll-free number listed below.

### Can I get credit for paying another state's tax on the purchase?

If you are required to pay, and did pay, another state's tax on the purchase, you may be able to take a credit against the California use tax due. For more information, please see the tax return instructions.

### For more information

If you have any questions regarding this notice, please call our Information Center at 800-400-7115. Staff are available from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday, excluding state holidays. Also, publication 112, *Purchases from Out-of-State Vendors* provides additional information and may be viewed at our web site.

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